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SUBJECT: CAMBODIA'S ANTI-SWEATSHOP BRAND INTICES BUYERS BUT
LACKS COHESIVE MARKETING STRATEGY

REF: PHNOM PENH 409

¶1. SUMMARY. Cambodia's garment industry is known for its innovative programs such as Better Factories Cambodia and is recognized as a global leader in responsible competitiveness. Companies concerned with image and social responsibility continue to source from Cambodia during the global economic crisis and have pointed to the responsible labor policies of the government as being key criteria for sourcing decisions. However, industry leaders have long predicted that high labor standards would not be enough for Cambodia to retain its edge in the competitive garment sector. As buyers continue to press for lower costs, Cambodia's garment sector struggles to keep up, and is quickly realizing the need to better publicize and promote its anti-sweatshop brand. END SUMMARY.

BACKGROUND

¶2. In 1999, Cambodia and the United States entered into a bilateral textile agreement which set a quota on textile and apparel exports to the U.S. and reduced tariffs on imports from the U.S. The agreement also included additional quota if factory working conditions complied with Cambodian labor law and international labor practices. In response to the need to ensure Cambodia's factories lived up to the agreement, the International Labor Organization (ILO), in cooperation with the Garment Manufacturer's Association of Cambodia (GMAC), created Better Factories Cambodia (BFC), which was financed by both the U.S. and Cambodian governments. BFC began to inspect factory working conditions and provided the government, factories, and buyers with detailed reports. In fact, the Ministry of Commerce to this day requires registration with BFC and acceptance of unannounced, independent monitoring in order to export garments.

¶3. This initiative, coupled with U.S.-funded training to promote workers' rights through the American Center for International Labor Solidarity (ACILS) and the ILO, helped to fuel the rise of the union movement in Cambodia and created a worldwide reputation for good working conditions. In addition to the individual factory reports, BFC produces semi-annual synthesis reports which summarize information about working conditions and labor standards in Cambodian garment factories that are registered with BFC. Initial reports found high instances of involuntary overtime work, anti-union discrimination, and incorrect payment of wages. However, subsequent editions (the latest, still in draft form, is the 22nd synthesis report produced by BFC), show continued improvements in every category. Most importantly, the reports confirmed to international buyers that Cambodian garment factories allow freedom of association, pay at least minimum wage, contain no child labor, forced labor, and have few documented instances of sexual harassment. The monitoring of work conditions by BFC helped lure brands such as Adidas, Nike, and Gap, eager to avoid bad publicity from

sweatshops. BFC is close to being 100% self-sustainable, and the Cambodian experiment has now become a model for others, spurring the creation of the joint ILO-International Finance Corporation (IFC) Better Works initiative, which will implement the Cambodian concept in countries throughout the world.

BENEFITS

14. According to Technical Advisor Tuomo Poutiainen, BFC benefits workers, employers and their organizations as well as unions. It also benefits socially responsible consumers in Western countries who desire sweatshop-free products, and has helped to reduce poverty in Cambodia through the creation of more jobs with better working conditions. Even with the global financial downturn and subsequent local effects, the garment industry continues to fuel Cambodia's economy. The ILO estimates that the garment industry contributes to the livelihoods of over 1.7 million people through remittances to the country side and through direct economic activity such as transport. It directly employs approximately 290,000 people in garment and 33,000 in footwear factories. The majority of the workers are employed in production, however approximately 10% hold managerial jobs. According to the Garment Industry Productivity Project (GIPC) program manager, the number of Cambodians in management positions is slowly starting to increase as employers begin to recognize the cost benefit of hiring locally, and as employees become better trained through government and NGO programs.

SUCCESS STORIES

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15. Socially responsible companies, such as the Gap and Walt Disney, have been solid supporters of the BFC project and Cambodia, stating they will continue to source from Cambodia due to its commitment to high labor standards. The Walt Disney Company's International Labor Standards program prohibits the manufacture of Disney-branded products in countries with poor labor standards. Cambodia was initially on this blacklist; however in 2005 Disney launched a pilot program in Cambodia to reevaluate the situation based on the emergence of the BFC project's independent monitoring reports. The pilot was successful and now licensees and vendors sourcing in Cambodia utilize the monitoring and remediation resources offered by the ILO as a condition of sourcing Disney-branded products in Cambodia. Cambodia's commitment to responsible labor practices has even made it into a book and the blogosphere. After visiting factories in Cambodia, Kelsey Timmerman, author of, "Where Am I Wearing? A Global Tour to the Countries, Factories and People that Make Our Clothes," stated he would not hesitate to buy a pair of Levi's made in Cambodia. He recognized BFC's role in fostering improved labor standards and favorably compared the quantity and quality of unions and workers' knowledge of their rights to that in Bangladesh, where wages are poor, knowledge is low, and unions are few.

THE BOTTOM LINE

16. While many companies originally came to Cambodia and are committed to staying due to its reputation as being a labor friendly country, some buyers continue to emphasize the point that good working conditions alone are not enough to ensure Cambodia's share of the garment manufacturing industry. As Better Factories expands into more countries under the new name of Better Work, garment buyers will have more options for socially responsible sourcing. GMAC, the Ministry of Labor, and slowly even unions are beginning to understand and respond to the need for improved productivity, price, and quality in order to remain competitive. In response, training centers have been initiated to enhance the basic

knowledge of garment workers with the intention that they will be able to enter into higher quality markets in the future. The ILO and ACILS have been working with the unions to explain the global financial crisis and the economics of the garment sector, and encouraging them to work with management and settle disputes legally rather than resulting to disruptive wildcat strikes. Additionally, the ILO and IFC are working to launch a pilot project focusing on energy efficiency and cost savings.

BRANDING

17. Once a year an International Buyers Forum is organized by BFC and IFC which provides an opportunity for mainly regional representatives from international companies to meet together with government, suppliers, and unions. Last year, 28 representatives from leading garment brands across the U.S. and Europe, including Adidas, Gap, H&M, Wal-Mart, Levi Strauss & Co., and the Walt Disney Company attended. In addition to providing a medium for discussion, the Forum allows Cambodia to promote itself to new buyers. This is an area which GMAC and the RGC seemingly overlooked when the sector was thriving. However, both now realize the need for a positive branding and marketing campaign to attract more image-conscious multinational companies to Cambodia. According to BFC, GMAC is in the process of developing a real marketing strategy which will emphasize the niche labor reputation and will include short video clips for professional trade marketing efforts later in the year. Earlier this month BFC, RGC and GMAC jointly launched the second edition of the "I am precious" competition, which is a campaign to promote Cambodian garment workers, to recognize the value of the work they do, and to enable them to demonstrate their talents through a dress and T-shirt design competition. Industry stakeholders see the competition as part of a bigger push to grow the Cambodian part of the value chain, and as a mechanism to promote the industry and attract international buyers.

18. COMMENT: While there is increased advocacy and awareness about the potential benefits of promoting Cambodia's positive labor practices, the RGC, GMAC, and other stakeholders currently lack a cohesive marketing strategy. Some question the importance of such a strategy, stating that companies' key priority will be the bottom line, which is why Cambodia is losing ground to countries such as Bangladesh (Ref A).

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Author Kelsey Timmerman and others have been quoted as saying they would like to have the option of paying an extra \$5 or \$10 for a shirt labeled "Good Working Conditions." A planned conference in DC hosted by IFC in November is intended to support the Cambodian stakeholders and the Cambodian approach to improving labor standards, and will generate positive publicity for the sector. Leveraging the activism of university students, such as those involved in United Students Against Sweatshops, could be another avenue for stakeholders to explore. The Embassy plans to meet with interested parties during this year's Buyers Forum, and will continue to work with our counterparts in the tripartite system to develop future ideas and initiatives. END COMMENT.
RODLEY